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Ukraine and the World: Rethinking and Moving on

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Mr Chairman, ladies and gentlemen, it is a great honour to participate in this conference. I am grateful to the Board of YES for its kind invitation. I look forward to a stimulating debate.

Turning to the subject of this particular session, "The Global Order and its Key Players" I should like to make some general observations and then focus my intervention on one key player that I know best - the European Union.

Since the collapse of the Communist regimes of Central and Eastern Europe in 1989 and 1991, there has been a number of attempts to define an emerging "new global order".

While I don't intend to better the attempts of others today, I should like to highlight **some key elements** which help in understanding the global and regional challenges that we face at the beginning of the 21st century.

Compared to the certainties of the Cold War, partly forged in this very building in February 1945 and sustained at a huge human cost, the picture today is highly complex involving a multiplicity of actors.

Perhaps the most distinctive and important aspect of the Global Order today is the **impact of globalisation**. I refer here to the extraordinary processes by which liberalised trade and capital flows have combined with vastly improved services, transport networks and revolutionised means of communication to create globalised economies and societies. We have all witnessed the benefits and dangers of these processes at first hand.

As a result, we are seeing today the **emergence of multiple global players and a multi-polar world**. Some of these **players are nation-states with powerfully developing economies**. Some are **non-state actors** which nevertheless carry more economic weight than states and some of which have a greater potential to influence public opinion than governments.

The clearest examples of this are of course **multi-national business and investors**. But the new global players also include national **and international media organisations**. Many of these organisations are able to draw upon **powerful new communication technologies**. **As a result they are often faster and more flexible than the traditional national media**. **Civil society actors and networks** are also playing an increasingly important domestic and global role.

These are new realities to which we need all to adapt: **nation states as well as international bodies** such as the UN, the International Financing Institutions, the OSCE and, of course the EU. And it is clear that all of the institutions I have mentioned are engaged in a process of reflection and reform in order to adapt to our rapidly changing realities.

At the same time there is also strong agreement, **that common challenges can best be met by shared responses**, whether in the areas of tackling poverty; disease; climate change; terrorism or promoting economic development. In some cases the answer is closer coordination; in some, shared responsibilities and in some defined areas the best answer is pooling of national sovereignty.

The **European Union** has undergone extraordinary changes in the past 20 years. Its membership has enlarged beyond recognition to include countries from South, Central and Eastern Europe. It has established the world's largest, most prosperous and sophisticated single market and a single currency which is today the world's second currency. It is the leading trading and exporting power in the world and the second largest source of foreign direct investment. It is the largest global provider of development aid. And today, following the adoption of the Treaty of Lisbon, the EU is developing the tools to ensure that it has a stronger, unified voice on the international stage.

As the force of globalisation continues to grow - with all the prospects that it holds out for economic development and prosperity - I believe that the trends towards greater convergence and cooperation in Europe are unstoppable. As President Barroso recently expressed it, in an address to US partners:

"We either stand together and prosper or we fall separately. That is a fact of life in the 21st Century¹".

Ladies and Gentlemen, what do these developments represent for Ukraine?

The picture I have drawn of globalised economies and societies involving complex interactions between a multiplicity of actors presents a dilemma for every state. Choices have to be made between relying on what could be deceptively described as "known certainties" on the one side, and a reform agenda which apparently takes more risks by embracing change in order to stimulate sustainable growth and prosperity on the other.

Such an agenda includes promoting **increased competitiveness of industries and businesses** so that they can participate in international markets and attract attention around the globe; the development of an **attractive and reliable investment climate**; the **modernisation of infrastructure** and efforts to ensure that the **workforce is equipped with appropriate skills and experience**. And here, to be clear, I am not just talking about political stability but, first and foremost, about respect for the rule of law.

At the same time an environment in which innovation and creativity can flourish requires the existence of **open societies in which a free media, civil society and diverse political actors can thrive**. These reforms are particularly necessary in a world in which the **competition for attention from a multiplicity of actors and investors** is increasing.

President Yanukovich has repeatedly stated that the path towards the European Union "is one of reform". He is absolutely right in this. **Reform is key to exploiting the enormous potential that exists in the relationship between the EU and Ukraine**. In the European Union itself, we have recognised the importance of a reform response to the economic and financial global downturn in our **Europe 2020 strategy²**.

Ukraine has undertaken a number of important economic reforms in recent months. What is important is that these reflect common reform priorities of Ukraine and the EU. As such they draw us increasingly close. For its part the EU will respond to these positive steps. Above all it will continue to support Ukraine in driving forward the reform agenda.

¹ Speech to the Presidents of the World Leaders Forum at Columbia University, 21 September, 2010.

² Europe 2020, A European strategy for smart, sustainable and inclusive growth, a Communication from the Commission, Brussels, 3 March, 2010 COM(2010) 2020

However reform involves much more than a political decision to move in a particular strategic direction. Reform is a process that needs to be delivered in the short, medium and long-term. For example Ukraine's imminent accession to the Energy Community is an excellent development. But it is only the beginning of a long path of reform that will transform the energy sector and thereby attract substantial inward investment. Let me be blunt here: any strategic decision to move towards the European Union without a reform process to accompany it, is illusory and just rhetoric.

Dear Ukrainian friends, the European Union is ready to accompany you in implementing your economic reform agenda. We are a passionately committed partner in this. We are ready to show flexibility where we can. We are ready to make compromises where we can.

But I have to stress that there is an area where we will not compromise. We will not compromise on those common values which form the basis of our relationship: respect for human rights, the rule of law and democratic principles. This is the fundamental understanding that has bound together the Member States of the European Union since its establishment. And it is this same commitment that will ultimately define how close the EU and Ukraine come together.

Turning to the new EU-Ukraine Association Agreement, I should like to underline its importance. The Agreement offers Ukraine the **prospects of political association and economic integration** with the EU. It is much more than words on paper. It is essentially an ambitious blue-print for reform, addressing all of the issues I have already outlined. The Agreement offers the prospect of a gradual opening of the EU's internal market of 500 million consumers to Ukrainian businesses and investors, a market 10 times larger than any of Ukraine's other neighbours.

This is not an abstract or theoretical exercise. Once in place, it is estimated that the deep and comprehensive free trade area with Ukraine will bring substantial benefits to our citizens. For Ukraine the impact of the agreement is likely in time to be overwhelmingly positive, involving real income increases; gains in international trade; productivity; employment generation and ultimately poverty reductions. It will impact positively on consumers, businesses, investors and workers. One study from 2007 estimates improvements in overall social welfare of more than 5% and long-term skilled and unskilled wage increases of more than 4% as direct effects of an extended FTA with Ukraine³. These kinds of projections are useful; but they are only models. The benefits in terms of prosperity and increased revenue will only be achieved and enjoyed if the right conditions are in place.

Equally important, the process of reform through approximation to EU standards is a **process of modernisation which will strengthen Ukraine's capacity to compete on international markets beyond the European Union**.

Mr Chairman, ladies and gentlemen there is still much work to do if the EU and Ukraine are to enjoy the full benefits of our developing relationship. We are deeply committed to completing our work on the Association Agreement. We believe this offers Ukraine the prospect of coming much closer to the European Union in practical and tangible ways. This represents the best way of making progress towards future steps in our relationship. We look to all our Ukrainian partners, its political leaders, business and civil society to make this a reality.

³ Trade Sustainability Impact Assessment for the FTA between the EU and Ukraine within the Enhanced Agreements, 17 December, 2007, ECORYS.

Only by working closely together we will be able to provide an answer to the challenges of the present and the future. It is important that we do not stay prisoners of the past in our thinking and in our actions. Instead we should work together to unleash our full potential in the interests of all our people.

The question is not that Ukraine needs Europe. Or indeed, as mentioned last night, that Europe needs Ukraine. We need each other to realise our full potential. This requires a commitment from both sides. We are ready for that. Are you?